

Telephonic Press Briefing on Millennium Challenge Corporation in Africa



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OPERATOR: Ladies and gentlemen, thank you for standing by. Welcome to the Millennium Challenge Corporation in Africa conference call. At this time all participants are in listen-only mode. We will conduct a question-and-answer session; instructions will be given at that time. If you should require assistance on today's call, please press star * 0. And as a reminder today's call is being recorded. Now I'd like to turn the conference over to your host, Marissa Scott. Please go ahead.

MODERATOR: Good afternoon to everyone from the U.S. -good Morning to everyone from the Department of State's Africa Regional Media Hub. I'd like to welcome our participants dialing in front across the continent and thank all of you for joining this discussion. Today we are very pleased to be joined by Sean Cairncross, CEO of the Millennium Challenge Corporation, or MCC. Mr. Cairncross will discuss MCC's current portfolio in Africa, as well as preview his upcoming trip to Kenya and Mozambique. Mr. Cairncross joins us on the line from Washington, D.C.

We will begin today's call with opening remarks from Mr. Cairncross, then we will turn to your questions. We will try to get to as many of them as we can during the time that we have, which is approximately 45 minutes. At any time during the call, if you would like to ask a question, press star one on your phone to join the question and answer queue. If you would like to join the conversation on Twitter, please use the hashtag #AFHubPress and follow us on @MCC_Gov and @africamediahub.

As a reminder, today's call is on the record, and with that, I will turn it over to the Chief Executive Officer of the Millennium Challenge Corporation, Mr. Cairncross.

MR. CAIRNCROSS: Well, thank you, Marissa, for your introduction. Good morning, everyone, from Washington, D.C. and thank you for joining us on the line. We're thrilled to be talking to you today. Or good afternoon, to many of you. My name is Sean Cairncross and I am the CEO of the Millennium Challenge Corporation. I'm excited to be speaking to you from MCC Headquarters in Washington, D.C., and as Marissa noted, I will be traveling to Kenya and Mozambique next week. I had the opportunity to visit Malawi last year and see the transformative energy sector projects we completed as part of MCC's first compact in the country, and I'm excited to be headed back to East Africa for my first trip in 2020.

For those of you who are just being introduced to MCC, let me start with a bit of background about who we are as an agency and what makes us unique. The Millennium Challenge Corporation is a small, independent U.S. government agency created in 2004 with strong bipartisan support, with a single mission: reducing poverty through economic growth. We select developing countries that have demonstrated commitments to good governance. MCC's time-limited grant investments target poor constraints on a country's economy, creating more stable, prosperous communities and countries.

Our partner countries must meet rigorous standards for good governance, from fighting corruption to respecting democratic rights, and we work closely with the private sector to leverage its expertise and incentivize policy reforms to open market opportunities. We also focus on enabling environment reforms, because MCC believes that the key to unleashing growth potential in its partner countries is through active engagement and collaboration with the private sector. We invest in projects that drive growth, like power, clean water, land rights and roads. And our projects are designed for sustainability and maximum impact.

As you may know, on December 9, 2019, the MCC Board of Directors selected Mozambique for a new compact—which is MCC's five-year grant program—to reduce poverty through targeted investments that increase economic growth. The Board also selected Kenya as eligible to develop an MCC threshold program. Threshold programs are the agency's smaller grant programs focused on policy and institutional reforms.

Mozambique successfully completed its first MCC compact in September 2013, which invested in projects in water and sanitation, roads, land tenure, and agriculture industries in order to increase the country's economic growth. Over 1.6 million Mozambique citizens are expected to benefit from MCC investments in the next 20 years as a result of the first compact, and a new compact would continue to build on Mozambique's ongoing commitment to sector reform.

Likewise, Kenya has made excellent progress on MCC's selection criteria and is an important partner to the United States in East Africa. MCC completed its first threshold program with the country in 2007. That program targeted reform in Kenya's procurement systems, improved health service and delivery, and increased the monitoring capacity of government and civil society organizations.

Kenya's new threshold program is an opportunity for the government of Kenya to demonstrate its commitment to just, democratic governance, economic freedom, and investment in its citizens, which are all essential elements for poverty reduction through economic growth.

My goal for this trip will be to conduct initial engagements with the government, private sector, and civil society leaders in both countries. These engagements will serve as the foundation for productive partnerships that will carry us into the next phase of the compact and threshold development process.

Compact development typically takes two to three years of analysis and planning before a grant agreement can be signed. Threshold programs often take less time to identify projects, because the investments aren't as large as compact programs. Commitment to this analysis and planning process helps minimize project risks, it ensures input from all stakeholders, and sets the future program up for success that benefits the citizens in our partner countries.

It is important to note that both countries must be annually re-selected by our Board of Directors as eligible to develop a compact or threshold program throughout the development process. And that is true of every MCC partner country. This requires that both Mozambique and Kenya will continue to meet MCC's eligibility criteria, including passing MCC's annual scorecard and showing a clear commitment to good governance. And that scorecard is what governs our selection criteria.

Again, I'm excited to be returning to East Africa and I'm looking forward to kicking off our development process and seeing what our countries can accomplish together, in partnership with the United States. With that, I'll turn the call back over to Marissa, and I'm more than happy to answer any questions anyone on the line has.

MODERATOR: Thank you, Mr. Cairncross. We will now begin the question and answer portion of today's call. For those asking questions, please state your name and affiliation, and limit yourself to one question related to the topic of today's briefing: MCC's current portfolio in Africa.

For those of you listening to the call in English, please press "1" and "0"—this is the correct information—press "1" and "0" on your phone to join the question queue. If you are using a speakerphone, you may need to pick up the handset before entering the digits. For those of you listening to the call in French and Portuguese, we have received some of your questions submitted in advance by email and you may continue to submit your questions in English via email to afmediahub@state.gov.

Our first question comes directly from the Hub. Mr. Cairncross, talk about how MCC measures effectiveness. Which tools do you rely on to assess a compact's progress and execution?

MR. CAIRNCROSS: Sure. Thank you for the question. So there are two parts, two ways that I will answer that. The first is with respect to the projects themselves. Our projects, like I say, go through a long period of development. We do this in partnership with the countries, because the entire process is country-led. Once we get to the point of entering into force, which begins the five-year clock on a project, the entity that executes that project in-country, which we refer to as an MCA, that executes the project. It's an entity that works between the United States and a partner country government to execute the project. That entity is then responsible for ensuring that the project is executed on time, procurements are running smoothly, and so we monitor that both from here and with our partner country governments, to ensure the projects are deliverable.

Overall, and [inaudible] looking at progress generally, we monitor a partner country's performance on our scorecard, which measures the political will and commitment to the reforms that led to a partner country's selection to begin with. And so that continued performance is important. That is, the technical performance on the execution of the project.

And finally, we monitor and evaluate all projects post-completion to ensure that they are sustained, that they are benefiting the sectors that they are designed to benefit, and that the results are open and transparent so that others in the aid community, others in U.S. government, and others in the host country have access to those results.

MODERATOR: Thank you. Our next question goes to a listening party hosted by U.S. Embassy Nairobi. Operator, please open the line. Embassy Nairobi, you're on for a question.

OPERATOR: Which name is that, please?

MODERATOR: U.S. Embassy Nairobi.

OPERATOR: I apologize... Do you have the name, please?

MODERATOR: Okay. The next question comes from James Mbugua from The Government Business Review in Kenya. His question is: Which local institutions will MCC work with on these policy reforms.

MR. CAIRNCROSS: Sure. That's a great question. Again, we're thrilled to have selected Kenya. We're going to be there next week. We're very excited. This is a threshold program that is just beginning, so we are in the initial steps of what that development will look like, and so the way that that works is the government will identify a lead individual to work with our team in the development of that program, and so each of these, like I said, are targeted and data-driven. So in working together, we will determine what that threshold program will look like.

Typically, threshold programs target institutional and policy reforms, enabling environment reforms meant to drive and consolidate the country's movement on our scorecard criteria. Ideally, the scorecard criteria, in partnership with that threshold program, and because of a partner country's commitment to the reforms, would improve, and our partnership would be able to continue into the future. And so that process will be beginning right now, where Kenya, as you know, was just selected in December and we're

excited to begin.

MODERATOR: Thank you. The next question goes to embassy Mbabane, Eswatini. Operator, please open the line.

OPERATOR: I apologize, do you have the person's name, please?

MODERATOR: [inaudible]

OPERATOR: One moment. And Stephanie could you press 1-0, please.

MODERATOR: Embassy Mbabane. Okay, looks like we're having problems getting them on the line. The next question came to us from Mozambique, from Leigh Elston of Zitamar News. The question is: Why has the U.S. government decided to select Mozambique for a second compact now, given the lack of clarity and some of the lack of transparency and irregularities in the latest elections?

MR. CAIRNCROSS: Thank you for the question. MCC scores partner countries based on our selection criteria, and the performance on our scorecards, which look at good governance, economic reform, and a country's investment in its people. We also rely on our history of working with the partner country, in cases where we've executed a compact in the past. And so, given Mozambique's performance on our scorecard, given their interest and demonstrated willingness to engage in reforms, and the trend line that our Board of Directors and our agency feel like [inaudible] in Mozambique—and the performance that Mozambique has had on its first compact—we are excited to begin a new partnership there, and look forward to the continued commitment by the government of Mozambique to those good governance reforms, open market economic reforms, and investment in its people. That's part and parcel of that continuing partnership.

MODERATOR: Thank you. Now we're going to try back to the embassy Mbabane. Operator, please open the line.

OPERATOR: One moment; do you have the person's name, please?

MODERATOR: [inaudible] U.S. embassy Mbabane.

OPERATOR: One moment. Your line is open; please go ahead.

QUESTION: Okay. Can you hear us?

MR. CAIRNCROSS: Go ahead.

QUESTION: I am Musa from the Nation Magazine. Can you hear me?

MR. CAIRNCROSS: Yeah.

MODERATOR: Embassy Mbabane you're on the line. We are standing by for the question.

QUESTION: Just one question. As citizens of these developing countries who are on in the constraints of poverty and who [inaudible] governance and [inaudible] political and human rights and liberties, what should or can we do as citizens, ordinary citizens, to influence compliance and ensure improved scoring on the MCC? Thank you.

MR. CAIRNCROSS: Well, that's a good question. Thank you. Part of our process at MCC and the way that we execute projects—and it's vital to their success and sustainability—is the civil society stakeholder buy-in into what the project is. And so in tandem with MCC, the idea is that a government is demonstrating that it is being responsive to its people, and part of the design of our projects is to engage that society. And so what I would say is measured ultimately on our scorecards. That's an important part of targets on the good governance indicators and on the investment in a government's people indicators, and frankly one of the hard kernels, one of the must-haves on the MCC scorecard for selection is a passing score on democratic rights. That's not to say that any passing score on an indicator of MCC's means that more can't be done. It is just an indicator that a government is committed to doing more. And so our hope is that by engaging with us, we will help leverage more of that reform and more of that commitment.

To your question, what can civil society do? One, make sure to engage with your government, with that the MCC entity that is in-country—like I say, called the MCA—that will be a publicly, people will be able to contact that organization, and to engage with U.S. representation in-country, because that is the conversation, those are the contacts, that we are trying to reinforce and build on. The idea is they're improving life for the citizens of the entire country, improving markets, creating a better economic climate, and consolidating important reforms. Thank you.

MODERATOR: Thank you. Next question goes to a listening party at the U.S. embassy in Nairobi. Operator, please open the line, Line 22, Hilda Nakhwanga.

OPERATOR: Thank you, one moment. And your line is open, please go ahead.

QUESTION: Good day. [inaudible] from the Kenyan programs that would be directly [inaudible] and the MCC [inaudible]. Thank you.

MR. CAIRNCROSS: Sure. Coming back up on a higher level, when Kenya has been selected for a threshold program, and a threshold program typically is between \$20 and \$30 million. Larger compact programs typically run, on average, \$350 million for the larger, infrastructure-focused projects. However, the exact amount and the scope of that project will depend upon the development process. And so we are beginning that process and we'll have a better idea on that as that process develops further.

MODERATOR: Thank you. The next question goes to the U.S. Embassy in Addis Ababa.

OPERATOR: And your line is open.

QUESTION: I am [inaudible] from Ethiopia. I have a simple question. Considering the indications of the field from Ethiopia in the economic sector, [inaudible] the government any time soon? Thank you.

MR. CAIRNCROSS: Sure. We're very excited to be engaged in a threshold program in Ethiopia. It is under development right now, and it's an exciting partnership for MCC. It's an exciting partnership with the United States, and we look forward to seeing that project through and hopefully a long-term future [inaudible] with Ethiopia.

MODERATOR: Thank you. The next question is from David Herbling from Bloomberg, out of Nairobi. His question is: Which are the projects the Millennium Challenge Corporation is funding in Kenya? Can you provide some details about the project?

MR. CAIRNCROSS: Sure. Thank you, David. The project itself in Kenya has yet to be developed, so, the way our process works is we go through country selection, and that happens at our December Board meeting, and so just this past December the Board selected Kenya for a threshold program. We're now beginning the development process for that threshold program, and so what that will mean is our team will engage with the Kenyan government and we will go about addressing, typically, in a threshold program, the institutional and policy reforms that focus on improving the enabling environment in Kenya. But I don't have any specific details on that program, other than I can say the process is beginning. We're excited to be beginning it. That's why I'm headed to Kenya next week, and I look forward to sharing more details as they develop.

MODERATOR: Thank you. The next question is from Micheal Himusa from Radio Musiotunya in Zambia. Operator, please open the line.

OPERATOR: Thank you, the line is open.

QUESTION: Alright, thank you very much. My name is Micheal Himusa from Radio Musiotunya in Zambia. I want to find out how the program has been [inaudible] at local people, the people who don't have the privilege of freedom of speech, because there are possibly countries, in Africa, especially, where the government won't allow people to express themselves [inaudible]. So how would this program enable people to have a free mind to speak [inaudible] affecting their daily lives and the community?

MR. CAIRNCROSS: Sure. I'll start by saying that in order for MCC to engage with a partner country, our selection criteria is based on our scorecard. The indicators on our scorecard do measure things involving freedom of the press, civil society engagement, and democratic rights. And so the way that a government interacts with civil society impacts whether or not MCC decides to work with the country, and our scorecard and information on that is available on mcc.gov online. It's all public; every country qualifying for MCC work on the income level has a scorecard, and so you can see country-by-country what the performance is.

Now, let me talk just for a second on how we go about developing a project once we have selected a country. We engage in what we call a core constraint analysis. We look to what are the core constraints holding this country's economy back. We do that in partnership with the government, but we also do that by sending teams to talk to civil society stakeholders, and the talks are broad and wide-ranging. And it's designed to engage exactly—and get the sort of feedback—to make sure in local communities, the beneficiaries of the project have buy-in and understand the impact that it will have on their lives, and that it will hopefully be a positive thing and be accepted as feedback from them, we want that incorporated.

Because without that sort of engagement, the project isn't sustainable and is undermining the sort of reform process and progress that we want to be reinforcing.

Once we go through that process, we go through a root cause analysis, and that targets projects specifically designed to get at those core constraints. And in that process, we're in the same civil society engagement mode, and we won't get out of it. We engage that through the development phase, through the implementation and execution phase, and through the monitoring and evaluation phase once the project wraps up. So the design is to begin in a good place on this engagement- and people being able to speak up, to enforce it, and hopefully build on it as a result of executing our work.

MODERATOR: Thank you. The next question is from Mozambique, from Aderito Caldeira. His question is: When will the investments into Mozambique start and when does the second compact end? So the start and finish timeline.

MR. CAIRNCROSS: Sure, so the development process on a compact takes typically about two years, two and a half years or so, and that's an important phase, because we are not trying to move quickly. We're trying to move deliberately, reduce risk, and make sure, once we start implementation, that things go smoothly and have maximum impact. And part of that, to the previous question, is making sure that there's civil society buy-in, support, and understanding of what's happening.

Once we get to a place to begin executing the project, we enter into force. And when we enter into force that starts a five-year clock on executing the project, and that is a hard stop at five years. For five years we come in on time, on budget, and so overall you're talking about a seven, seven-and-a-half year time frame from selection to the end of the project being built. But the actual grant money begins to flow once we enter into force and start implementing the project itself.

MODERATOR: Thank you. We have time for a couple more questions. The next question comes from Lydia Makina and she's from East Star Radio in Zambia. Operator, open the line.

OPERATOR: Lydia your line.

MODERATOR: Okay, we'll move on to – okay.

QUESTION: Hello?

MR. CAIRNCROSS: Hello.

MODERATOR: Yes, Lydia you're on.

QUESTION: Thank you so much. My question is [inaudible], is that the right [inaudible]? Thank you for this.

MR. CAIRNCROSS: I'm sorry, I'm just missing... I apologize, I missed some of the question.

QUESTION: Referring to [inaudible] in Kenya [inaudible].

MR. CAIRNCROSS: Oh. Yeah, I'm sorry. [inaudible]

QUESTION: [inaudible]

MR. CAIRNCROSS: Yes, that's right, in 2007.

QUESTION: Alright, okay. [inaudible]

MR. CAIRNCROSS: The threshold program in 2007. That's right; I'm sorry, I was having trouble hearing.

QUESTION: Alright, thank you.

MODERATOR: Thank you. Thank you. The next question is: We've heard from you that MCC's goal is to reduce global poverty through economic growth. How is MCC different from the Development Finance Corporation or from USAID's private sector engagement program?

MR. CAIRNCROSS: Sure. Thank you. MCC has a specific, singular mission, and it's reducing poverty *through* economic growth. It's not reducing poverty *and* economic growth; it's using economic growth specifically to reduce poverty. And so we are working in partnership with our government to do that. And what that means is there's the "what" MCC does; the project itself, the specific sectors of the economy it targets, the things that it tries to unlock to improve the economy. That's the "what" MCC does.

How MCC does it is part of that process as well. We do it through civil society buy-in, openness, transparency, open procurement, merit-based hiring. It is making sure that sustainability is built into the project, so that if we are building a road, maintenance funding exists to fund that road's repairs in the future, or that a taxation system exists to continue to fund whatever the project is going forward. We're there to grant money; we're not trying to drive debt. We're trying to bring economic analysis and sustainability, and understanding of what that means and baking it into the process itself.

And so our hope at MCC is, our legacy, in partnership with our countries across the world, is not only the project that we leave, that benefits the citizens of a country, but the process through which it was built. And we hope that that process carries forward, because we believe that is what attracts private investment into markets, investors; that's what creates jobs, and ultimately that's what builds a sustainable working economy for a country's citizenry. And that's MCC's sole mission and that's our focus.

MODERATOR: Thank you. Is Mr. Kevin Kelley from the Nation Media Group on the line? Operator?

OPERATOR: Yes, please go ahead, Mr. Kelley.

QUESTION: Yes, hi. Thanks for doing this today. So here in Kenya, the MCC has not made Kenya eligible for a full-scale project for more than ten years, mainly—not exclusively, but mainly—because of

corruption. Your scorecard now suggests that combatting corruption has been making some progress [inaudible]. On what basis do you see that? Many independent analyses indicate that corruption remains endemic in life in Kenya, and that not much progress has been made. What is your sense as to how this is perceived? Thanks.

MR. CAIRNCROSS: Okay, MCC doesn't make or unmake, just to be clear, a country's eligibility. And the idea is that countries do that themselves. The governments are engaged in the work of—they're given the work, sometimes, of pushing forward reforms that impact these areas, and so Kenya's performance on the scorecard in the past decade has improved. Kenya's not passed on the scorecard overall for the compact. However, they do have 15 of 20 indicators. And you're right; our corruption indicator indicates improvement on that score.

Our indicators aren't something that MCC governs itself; we draw on independent, third-party data sources, and we use those data sources to flow into our indicators, and that's how we measure the design of the selection process. It is supposed to be objective. Our data is in depth, that we use to inform our scorecard is all publicly available.

And so, as I was saying, for certain democratic rights, simply seeing improvement on a score card or an indicator, or passing an indicator, doesn't necessarily mean that everything is being done or that—in this case—corruption has somehow been eradicated. What it demonstrates is a trend towards dealing with that corruption, or whatever the indicator is, whatever the issue is, and a willingness to engage government resources, and the political will to take those issues on. And so that's the reason we engage countries, is to encourage and support that will, and a continued demonstration of that political will—in fact, even with reforms—is what is important to continuing a strong partnership with MCC.

So that's the way that we use our indicators and our scorecard. That is why we selected Kenya. Like I say, it is always our hope that partnerships with countries are lasting and sustained, and it is our expectation that it will be with Kenya, and I look forward to see increasing improvements on our criteria and reforms in-country.

MODERATOR: Thank you, Mr. Cairncross. Do you have any additional final words?

MR. CAIRNCROSS: I do. I just want to again thank everybody for being on the line, and I would say MCC – we are always excited about our partnerships with governments, but MCC is there as the United States. And we view this as a real partnership and as something that we are working on together, but the process and the hard work is done by our partner country governments. We are here to support that; we are here to encourage it and consolidate it. So I look forward to being in Mozambique and Kenya next week and I look forward to continued conversations with all of you on the line at some point. Thank you.

MODERATOR: Thank you. That concludes today's call. I want to thank Sean Cairncross, CEO of the Millennium Challenge Corporation, for joining us, and thank all of our callers for participating. If you have any questions about today's call, you may contact the Africa Regional Media Hub at afmediahub@state.gov. Thank you.